existing "navratna" companies in the public sector while these companies raise resources from the capital market. While every effort will be made to modernize and restructure sick public sector companies and revive sick industry, chronically loss-making companies will either be sold-off, or closed, after all workers have got their legitimate dues and compensation. The Government will induct private industry to turn around companies that have potential for revival.

(iii) The Government believes that privatization should increase competition, not decrease it. It will not support the emergence of any monopoly that only restricts competition. It also believes that there must be a direct link between privatization and social needs like, for example, the use of privatization revenues for designated social sector schemes. Public sector companies and nationalized banks will be encouraged to enter the capital market to raise resources and offer new investment avenues to retail investors.

(c) and (d) Disinvestment decisions are taken by the Government on a case by case basis in accordance with the policy mentioned above. While chronically loss-making companies will either be sold off or closed, small portions of equity in profit-making non-navratna public sector enterprises are proposed to be disinvested in order to raise resources for the National Investment Fund.

Agreement on World Bank loan for Andhra Pradesh

210. SHRI C. RAMACHANDRAIAH: Will the Minister of FINANCE be pleased to state:

(a) whether any agreement has been reached by Government with World Bank for loan to Andhra Pradesh in recent months;

(b) if so, the terms and conditions laid down by the World Bank;

(c) the projects to be undertaken under this loan; and

(d) by when these projects are likely to commence?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) Yes, Sir.

(b) The standard terms and conditions of the World Bank for IBRD loans are applicable to this loan. These include, *inter alia,* interest based on 6 months LIBOR plus a variable spread, and a repayment period of 20 years including a 5 year grace period.

(c) A multi state Hydrology Phase II project which includes the State of Andhra Pradesh was signed with the World Bank on 19th January, 2006 for IBRD assistance.

(d) This project will be effective within 90 days from the date of signing of the agreement.

Interest rates in Mutual Fund Industry

211. SHRI RAMA MUNI REDDY SIRIGIREDDY: Will the Minister of FINANCE be pleased to state:

(a) Whether it is a fact that Government and SEBI are concerned about high churn rates in the Mutual Funds Industry;

(b) if so, the details thereof; and

(c) what action Government are taking in this regard to control the churning of the rates of Mutual Funds?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) to (c) Churning in the mutual fund industry is not a cause for concern if it is effected in compliance with the laws and in the interest of investors. At SEBI's instance, the Association of Mutual Funds in India is assessing the level and impact of the current level of churning in the Mutual Fund Industry.

Inflation rate

†212. SHRI RAJ MOHINDER SINGH MAJITHA:
DR. MURLI MANOHAR JOSHI:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that RBI has estimated the inflation rate to be between 5 to 5.5 per cent during the year 2005-06;

(b) if so, the details in this regard;

(c) whether it is also a fact that above rate is in excess of the budget estimates of Government;

† Original notice of the question was received in Hindi.